

Kentucky Power Company

REQUEST

Please refer to AG Request No. 109. Only data for the years 2002-2004 was provided, and only at a Company level. Does the Company not have the data for any prior years? If the data does exist, please provide it. If it does not exist, please explain why not. Also, please provide the requested data at a functional level.

RESPONSE

Attached is a schedule of the Company's annual accumulated provision for depreciation by function for the years 2002, 2003 and 2004. The requested information is available in the Company's FERC Form 1 filings for the other years. It is too voluminous to reproduce and will be made available for inspection in Frankfort, Kentucky at a mutually agreeable time.

WITNESS: James E Henderson

KENTUCKY POWER COMPANY
ANNUAL ACCUMULATED PROVISION FOR DEPRECIATION
ACCOUNTS 1080001 AND 1080011

YEAR	FUNCTION	BEGINNING RESERVE BALANCE	ANNUAL DEPRECIATION	ANNUAL RETIREMENTS	ANNUAL COST OF REMOVAL	ANNUAL SALVAGE	ANNUAL TRANSFERS/ ADJUSTMENTS	ENDING RESERVE BALANCE
2002	Generation	(159,872,974)	(9,994,819)	875,114	39,320	(30,879)	12,094	(168,972,144)
	Transmission	(96,763,546)	(6,305,468)	433,622	48,654	31,282	(74,029)	(102,629,485)
	Distribution	(100,722,489)	(14,220,841)	6,304,531	2,969,610	(4,835,825)	(74)	(110,505,088)
	General Plant	(13,949,847)	(993,860)	502,464	35,368	(239,760)	15,295	(14,630,340)
	Total	(371,308,856)	(31,514,988)	8,115,731	3,092,952	(5,075,182)	(46,714)	(396,737,057)
2003	Generation	(168,972,144)	(13,953,839)	17,253,619	7,312,512	28,698	6,362	(158,324,792)
	Transmission	(102,629,485)	(6,400,468)	590,515	912,736	(305,945)	8,533	(107,824,114)
	Distribution	(110,505,088)	(14,688,466)	5,434,673	1,682,264	(1,560,605)	(14,895)	(119,652,117)
	General Plant	(14,630,340)	(983,056)	1,740,509	(844,736)	100,160	(90,552)	(14,708,015)
	Total	(396,737,057)	(36,025,829)	25,019,316	9,062,776	(1,737,692)	(90,552)	(400,509,038)
2004	Generation	(158,324,792)	(16,744,840)	3,128,846	4,666,328	(14,006)	0	(167,288,464)
	Transmission	(107,824,114)	(6,510,774)	1,113,137	224,657	(129,249)	(15)	(113,126,358)
	Distribution	(119,652,117)	(15,190,439)	7,250,555	2,120,023	(1,040,987)	18	(126,512,947)
	General Plant	(14,708,015)	(752,083)	12,449,684	(1,474,937)	(1,063,478)	0	(5,548,829)
	Total	(400,509,038)	(39,198,136)	23,942,222	5,536,071	(2,247,720)	3	(412,476,598)

Notes:

(1) This analysis includes the balances in Accounts 1080001, Accumulated Provision for Depreciation, and Account 1080011, Cost of Removal Reserve. Balances in Account 1080005, Retirement Work in Progress, are not included in this analysis.

(2) Third party reimbursements are not separately identified in the depreciation reserve. Consequently this information was not available for this analysis.

Kentucky Power Company

REQUEST

Refer to the response to AG Request No. 110. Please explain the increase in Acct. 5930000 -- Maintenance of Overhead Lines.

RESPONSE

Please see attachment.

WITNESS: Everett G Phillips

Kentucky Power Company

	2002 Total Year Act \$	2003 Total Year Act \$	Increase 2003 vs 2002	2004 Total Year Act \$	Increase 2004 vs 2003
5930000 Maintenance of Overhead Lines	9,828,568	13,183,960	3,355,392	13,965,042	781,082
Major Storms					
EON014575 KY/Major Event	1,122,973	2,977,424	1,854,450	2,235,638	(741,786)
System Forestry (Tree Trimming)					
000007513 KP/Targeted Ckt Reliability				1,925,551	
EDN102852 Ds/All/Forestry 2001 Funding	527,324	23,761			
EDN103175 Ds/Kp/Anda				4,210,378	
EDN103681 Ds/Forestry Anda	90,203	132,095		1,222	
EDN103683 Ds/Tree Trimming Anda	2,391,076	4,267,004		0	
EDNANDA Distribution Anda Project	632,932				
	<u>3,641,535</u>	<u>4,422,860</u>	781,326	<u>6,137,152</u>	1,714,292
Pole Program					
EDN014673 Ds/Kp/Ai Pole Reinforcement	391	81,238		(1,459)	
EDN014680 Ds/Kp/Ai Pole Replacement	59,590	56,926		67,022	
EDN100104 Inspect Poles	129,751	219,052		5,222	
	<u>189,731</u>	<u>357,216</u>	167,485	<u>70,784</u>	(286,432)
Circuit Inspection Program					
EDN100577 Ds/Kp/Ai Ckt Inspections	51,657	144,212	92,555	201,077	56,865
Total Variance Explained			2,895,816		742,940

Kentucky Power Company

REQUEST

Refer to the response to AG Request No. 117, which refers to the response to AG Request No. 105. The remaining life calculations for transmission, distribution and general plant were not provided in that response. Please provide the calculations in Excel format.

RESPONSE

The remaining life calculations for transmission, distribution and general plant were not provided because the calculations are performed by the proprietary D&T book depreciation software. Hard copies of the remaining life calculations for Transmission, Distribution and General Plant are contained in the depreciation study workpapers.

WITNESS: James E Henderson

Kentucky Power Company

REQUEST

Refer to AG Request Nos. 124, 125 and 126.

- a. Please explain fully the mechanics of how cost of removal and gross salvage is calculated for retirements relating to replacements. Please provide examples of these calculations, and the source documents supporting these calculations.
- b. Explain fully the mechanics of how cost of removal and gross salvage is calculated for retirements in circumstances where no replacement is put in place. Please provide examples of those calculations and the relating support documents.
- c. Please explain the rationale for any difference between the calculations in case of replacement and in the case of no replacement.
- d. Provide five examples of replacement projects done during the five years ending in 2004. Include the original budget estimates showing the breakout of replacement costs and removal costs. Explain how that breakout is made. Also, please provide the actual results and any budget vs. actual deviations

RESPONSE

- a. The Company does not calculate removal and gross salvage for retirements relating to replacements. The Company records the actual removal costs incurred or salvage credits received for retirements relating to replacements.
- b. The Company does not record any removal cost or salvage credit where there is new construction and no replacement is put in place.
- c. See responses to items a. and b., above.
- d. Attached is a schedule with five examples of replacement projects. For budget estimates, a Company employee familiar with the equipment being replaced estimates the breakout between replacement (installation) costs and removal costs.

WITNESS: James E Henderson

KENTUCKY POWER COMPANY
EXAMPLES OF REPLACEMENT PROJECTS

(No Salvage \$ Included in Removal Costs)

Funding Project	Funding Project Description	Charges		Actual	Budget	Variance (Act - Bud)	
		From	To				
WSX114844	Big Sandy U2 Turbine Blading Replacement	Additions	2001	2004	6,303,369.04	6,776,144.00	(472,774.96)
		Removal	2002	2004	615,482.84	94,600.00	520,882.84
		Total			6,918,851.88	6,870,744.00	48,107.88
J00050782	Relocate 138KV Hatfield-Inez Line	Additions	2000	2001	470,513.01	595,413.00	(124,899.99)
		Removal	2000	2000	20,047.87	6,250.00	13,797.87
		Total			490,560.88	601,663.00	(111,102.12)
WSX115587	Rebuild Big Sandy Electrostatic Precipitator Upgrade	Additions	2002	2003	13,100,115.20	12,585,213.00	514,902.20
		Removal	2002	2003	2,488,656.32	3,400,235.00	(911,578.68)
		Total			15,588,771.52	15,985,448.00	(396,676.48)
J00055345	McKinney 46KV Station Rebuild	Additions	2002	2004	1,265,508.27	881,021.00	384,487.27
		Removal	2002	2003	23,705.41	62,500.00	(38,794.59)
		Total			1,289,213.68	943,521.00	345,692.68
ETN102449	Rebuild and Relocate Ashland Bellefonte 69kv Line	Additions	1999	2002	230,915.57	231,100.00	(184.43)
		Removal	2000	2001	3,888.69	3,700.00	188.69
		Total			234,804.26	234,800.00	4.26

Kentucky Power Company

REQUEST

Refer to AG Request No. 126. Please provide the actual workorder (Workorder No. 40509399) referenced in the response.

RESPONSE

Please see attached work order.

WITNESS: James E Henderson

Facility: BSP BIG SANDY
 Unit : 2 Project : 000001878
 W/O Type: CP Priority: 3 W/O Dspln: ENVR
 Planner : K795068 SEE B K
 W/O Title : PURCHASE TWO (2) NOX MONITORS
 W/O Task Title: PURCHASE TWO (2) NOX MONITORS
 Written To : PRECIPITATOR SO3 INJ. SYSTEM MISC. I
 Task Dspln : Completed By:



Work Order Package

40509399 01

DUPLICATE
 Rpt : TIPMC11
 Date: 12/20/05



Page: 1

Work Order Task Written To

Facility : BSP Unit : 2 Op Sys :
 Division : Area : Sys/Cls: 175
 Equipment : PREC 12529200 Component:
 Work Item : Eqt. List: Ops Review Reqd:
 Equip. Tag: SO3 INJECTION SYSTEM MISC. ITE Alt: PRECIPITATOR SO3 INJ. SYSTEM M
 Reg Comp. : UTC : Tbl/Brkdwn: (Past 12 mo)
 Catalog ID: Job Type : GI UCR:
 Client/Act:
 Location : ZZZ 1068 ZS039 1 100% to One Company ST, ATTBASIS, - 43230
 Cost Centr: 10218 Activity : 812 User Def:
 Percentage: 100.000 Acct No. : KG 1070001

Work Order Task Instructions

WO requested by Rich Gill. Initially planned for 2006 or 2007. Money available at end of 2004 per Mell.

Rework/Approval

Deficiency Tag No.: Loc: Tag Removed:
 Rework Job : Comments:

Post Maintenance Test Info

PMT Work Order/Task:

QC Requirements/Comments

NO QC REQUIREMENTS FOR THE WORK ORDER TASK

Authorization

Start Permission :	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Start Date:	<input type="checkbox"/>	<input type="checkbox"/>
Complete Notice :	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Complete Date:	<input type="checkbox"/>	<input type="checkbox"/>
Early Start Date :	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Early Finish Date:	<input type="checkbox"/>	<input type="checkbox"/>
Late Start Date :	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Late Finish Date :	<input type="checkbox"/>	<input type="checkbox"/>
Actual Start Date :	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Complete Date:	<input type="checkbox"/>	<input type="checkbox"/>

Facility: BSP BIG SANDY
 Unit : 2 Project : 000001878
 W/O Type: CP Priority: 3 W/O Dspln: ENVR
 Planner : K795068 SBE B K
 W/O Title : PURCHASE TWO (2) NOX MONITORS
 W/O Task Title: PURCHASE TWO (2) NOX MONITORS
 Written To : PRECIPITATOR SO3 INJ. SYSTEM MISC. I
 Task Dspln : Completed By:



Work Order Package

40509399 01

DUPLICATE
 Rpt : TIPMC11
 Date: 12/20/05



Page: 2

Major Failure/Action Taken

Major Failure : Action Taken :
 Deficiency Tag Loc: Removed (Y/N):
 Deficiency Tag No.: Limited Cond Operation:

Work Completion Signatures

Name	Function/Dept.	Date
<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>

Comments:
 (rework?)

Work Delay Reason:

CON CONTRACTOR LATE ARRIVAL	(Y/N)
Date: <input type="text"/> Hours: <input type="text"/> Crew: <input type="text"/> Shift: <input type="checkbox"/>	<input type="checkbox"/>
ENG NEED ENGINEERING EVALUATION ASAP	(Y/N)
Date: <input type="text"/> Hours: <input type="text"/> Crew: <input type="text"/> Shift: <input type="checkbox"/>	<input type="checkbox"/>
IA INCIDENT/ACCIDENT	(Y/N)
Date: <input type="text"/> Hours: <input type="text"/> Crew: <input type="text"/> Shift: <input type="checkbox"/>	<input type="checkbox"/>
OPE NEED OPERATIONS SUPPORT	(Y/N)
Date: <input type="text"/> Hours: <input type="text"/> Crew: <input type="text"/> Shift: <input type="checkbox"/>	<input type="checkbox"/>
PRM PERMIT REQUIRED/NEEDED	(Y/N)
Date: <input type="text"/> Hours: <input type="text"/> Crew: <input type="text"/> Shift: <input type="checkbox"/>	<input type="checkbox"/>
PRT NEED ADDITIONAL PARTS ON SITE	(Y/N)
Date: <input type="text"/> Hours: <input type="text"/> Crew: <input type="text"/> Shift: <input type="checkbox"/>	<input type="checkbox"/>
TPE TOOLS/PARTS/EQUIPMENT	(Y/N)
Date: <input type="text"/> Hours: <input type="text"/> Crew: <input type="text"/> Shift: <input type="checkbox"/>	<input type="checkbox"/>

Comments:

Rework Reason/Cause

N/A NOT APPLICABLE	(Y/N)
NP NEED PARTS	<input type="checkbox"/>
OPE OPERATOR ERROR	<input type="checkbox"/>
PF PARTS FAILED	<input type="checkbox"/>
PT PARTS FAILED	<input type="checkbox"/>

Facility: BSP BIG SANDY
 Unit : 2 Project : 000001878
 W/O Type: CP Priority: 3 W/O Dspln: ENVR
 Planner : K795068 SEE B K
 W/O Title : PURCHASE TWO (2) NOX MONITORS
 W/O Task Title: PURCHASE TWO (2) NOX MONITORS
 Written To : PRECIPITATOR SO3 INJ. SYSTEM MISC. I
 Task Dspln : Completed By:



Work Order Package

40509399 01

DUPLICATE
 Rpt : TIPMC11
 Date: 12/20/05



Page: 3

Rework Reason/Cause

RW INCOMPLETE WORK FROM PREVIOUS MAINTENANCE
 SC SYSTEM CONDITIONS
 TN TUNING AFTER BREAKIN OF NEW PARTS
 TR TEMPORARY REPAIR
 TST PREVIOUS WORK FAILED TO MEET STANDARDS
 WFMS PREVIOUS WORK FAILED TO MEET STANDARDS

(Y/N)

<input type="checkbox"/>

Date: Hours: Crew: Shift:

Comments:

Job Variance

CL CLEARANCE NOT READY
 LM LATE MATERIAL
 MR MATERIAL REPLACEMENT
 NA FEEDBACK NOT APPLICABLE
 RA RESOURCES NOT AVAILABLE AS PLANNED
 RS SATISFACTORY CUST FEEDBACK
 RU UNSATISFACTORY CUST FEEDBACK
 R1 FIRST RATING REQUEST SENT
 R2 SECOND RATING REQUEST SENT
 SC CHANGE IN JOB SCOPE
 S1 FIRST RATING REQUEST SENT
 S2 SECOND RATING REQUEST SENT

(Y/N)

<input type="checkbox"/>

Date: Crew: Shift:

Comments:

Completion Comments on Work Performed

Completion Comments Required : Y

Comments:

Comments:

Facility: BSP BIG SANDY
 Unit : 2 Project : 000001878
 W/O Type: CP Priority: 3 W/O Dspln: ENVR
 Planner : K795068 SEE B K
 W/O Title : PURCHASE TWO (2) NOX MONITORS
 W/O Task Title: PURCHASE TWO (2) NOX MONITORS
 Written To : PRECIPITATOR SO3 INJ. SYSTEM MISC. I
 Task Dspln : Completed By:



Work Order Package

40509399 01

DUPLICATE
 Rpt : TIPMC11
 Date: 12/20/05



Page: 4

Completion Comments on Work Performed

Completion Comments Required : Y

Comments:

Continued on Additional Sheets? : _____

Calibration Tools Used

M&TE Used: N

UTC	Check Out	Return	UTC	Check Out	Return

***** END OF REPORT *****

Facility: BSP BIG SANDY
 Unit : 2 Project : 000001878
 W/O Type: CP Priority: 3 W/O Dspln: ENVR
 Planner : K795068 SEE B K
 W/O Title : PURCHASE TWO (2) NOX MONITORS
 W/O Task Title: REMOVAL (R) TWO (2) NOX MONITORS
 Written To : PRECIPITATOR SO3 INJ. SYSTEM MISC. I
 Task Dspln : Completed By:



Work Order Package

40509399 02

DUPLICATE
 Rpt : TIPMCL1
 Date: 12/20/05



Page: 1

Work Order Task Written To

Facility : BSP Unit : 2 Op Sys :
 Division : Area : Sys/Cls: 175
 Equipment : PREC 12529200 Component:
 Work Item : Eqt. List: Ops Review Reqd:
 Equip. Tag: SO3 INJECTION SYSTEM MISC. ITE Alt: PRECIPITATOR SO3 INJ. SYSTEM M
 Reg Comp. : UTC : Tbl/Brkdwn: (Past 12 mo)
 Catalog ID: Job Type : R UCR:
 Client/Act:
 Location : ZZZ 1068 ZS039 1 100% to One Company ST, ATTBASIS, - 43230
 Cost Centr: 10218 Activity : 812 User Def:
 Percentage: 100.000 Acct No. : KG 1080005

Rework/Approval

Deficiency Tag No.: Loc: Tag Removed:
 Rework Job : Comments:

Post Maintenance Test Info

PMT Work Order/Task:

QC Requirements/Comments

NO QC REQUIREMENTS FOR THE WORK ORDER TASK

Authorization

Start Permission :	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Start Date:	<input type="text"/>	<input type="text"/>
Complete Notice :	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Complete Date:	<input type="text"/>	<input type="text"/>
Early Start Date :	<input type="text"/>	<input type="text"/>	<input type="text"/>	Early Finish Date:	<input type="text"/>	<input type="text"/>
Late Start Date :	<input type="text"/>	<input type="text"/>	<input type="text"/>	Late Finish Date :	<input type="text"/>	<input type="text"/>
Actual Start Date :	<input type="text"/>	<input type="text"/>	<input type="text"/>	Complete Date:	<input type="text"/>	<input type="text"/>

Facility: BSP BIG SANDY
 Unit : 2 Project : 000001878
 W/O Type: CP Priority: 3 W/O Dspln: ENVR
 Planner : K795068 SEE B K
 W/O Title : PURCHASE TWO (2) NOX MONITORS
 W/O Task Title: REMOVAL (R) TWO (2) NOX MONITORS
 Written To : PRECIPITATOR SO3 INJ. SYSTEM MISC. I
 Task Dspln : Completed By:



Work Order Package

40509399 02

DUPLICATE
 Rpt : TIPMC11
 Date: 12/20/05



Page: 2

Major Failure/Action Taken

Major Failure : Action Taken :
 Deficiency Tag Loc: Removed (Y/N):
 Deficiency Tag No.: Limited Cond Operation:

Work Completion Signatures

Name	Function/Dept.	Date
<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>

Comments:
 (rework?)

Work Delay Reason

			(Y/N)
CON CONTRACTOR LATE ARRIVAL	Date: <input type="text"/>	Hours: <input type="text"/>	<input type="checkbox"/>
ENG NEED ENGINEERING EVALUATION ASAP	Date: <input type="text"/>	Hours: <input type="text"/>	<input type="checkbox"/>
IA INCIDENT/ACCIDENT	Date: <input type="text"/>	Hours: <input type="text"/>	<input type="checkbox"/>
OPE NEED OPERATIONS SUPPORT	Date: <input type="text"/>	Hours: <input type="text"/>	<input type="checkbox"/>
PRM PERMIT REQUIRED/NEEDED	Date: <input type="text"/>	Hours: <input type="text"/>	<input type="checkbox"/>
PRT NEED ADDITIONAL PARTS ON SITE	Date: <input type="text"/>	Hours: <input type="text"/>	<input type="checkbox"/>
TPE TOOLS/PARTS/EQUIPMENT	Date: <input type="text"/>	Hours: <input type="text"/>	<input type="checkbox"/>

Comments:

Rework Reason/Cause

	(Y/N)
N/A NOT APPLICABLE	<input type="checkbox"/>
NP NEED PARTS	<input type="checkbox"/>
OPE OPERATOR ERROR	<input type="checkbox"/>
PF PARTS FAILED	<input type="checkbox"/>
PT PARTS FAILED	<input type="checkbox"/>

Facility: BSP BIG SANDY
 Unit : 2 Project : 000001878
 W/O Type: CP Priority: 3 W/O Dspln: ENVR
 Planner : K795068 SEE B K
 W/O Title : PURCHASE TWO (2) NOX MONITORS
 W/O Task Title: REMOVAL (R) TWO (2) NOX MONITORS
 Written To : PRECIPITATOR SO3 INJ. SYSTEM MISC. I
 Task Dspln : Completed By:



Work Order Package

40509399 02

DUPLICATE
 Rpt : TIPMC11
 Date: 12/20/05



Page: 4

Completion Comments on Work Performed

Completion Comments Required : Y

Comments:

Continued on Additional Sheets? : _____

Calibration Tools Used

M&TE Used: N

UTC	Check Out	Return	UTC	Check Out	Return

***** END OF REPORT *****

Facility: BSP BIG SANDY
 Unit : 2 Project : 000001878
 W/O Type: CP Priority: 3 W/O Dspln: ENVR
 Planner : K795068 SEE B K
 W/O Title : PURCHASE TWO (2) NOX MONITORS
 W/O Task Title: PURCHASE TWO (2) NOX MONITORS
 Written To : PRECIPITATOR SO3 INJ. SYSTEM MISC. I
 Task Dspln : Completed By:



Work Order Package

40509399 03

DUPLICATE
 Rpt : TIPMC11
 Date: 12/20/05



Page: 1

Work Order Task Written To

Facility : BSP Unit : 2 Op Sys :
 Division : Area : Sys/Cls: 175
 Equipment : PREC 12529200 Component:
 Work Item : Eqt. List: Ops Review Reqd:
 Equip. Tag: SO3 INJECTION SYSTEM MISC. ITE Alt: PRECIPITATOR SO3 INJ. SYSTEM M
 Reg Comp. : UTC : Tbl/Brkdwn: (Past 12 mo)
 Catalog ID: Job Type : I UCR:
 Client/Act:
 Location : ZZZ 1068 ZS039 1 100% to One Company ST, ATTBASIS, - 43230
 Cost Centr: 10218 Activity : 812 User Def:
 Percentage: 100.000 Acct No. : KG 1070001

Rework/Approval

Deficiency Tag No.: Loc: Tag Removed:
 ReWork Job : Comments:

Post Maintenance Test Info

PMT Work Order/Task:

QC Requirements/Comments

NO QC REQUIREMENTS FOR THE WORK ORDER TASK

Authorization

Start Permission :	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Start Date:	<input type="text"/>	<input type="text"/>
Complete Notice :	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Complete Date:	<input type="text"/>	<input type="text"/>
Early Start Date :	<input type="text"/>	<input type="text"/>	<input type="text"/>	Early Finish Date:	<input type="text"/>	<input type="text"/>
Late Start Date :	<input type="text"/>	<input type="text"/>	<input type="text"/>	Late Finish Date :	<input type="text"/>	<input type="text"/>
Actual Start Date :	<input type="text"/>	<input type="text"/>	<input type="text"/>	Complete Date:	<input type="text"/>	<input type="text"/>

Facility: BSP BIG SANDY
 Unit : 2 Project : 000001878
 W/O Type: CP Priority: 3 W/O Dspln: ENVR
 Planner : K795068 SEE B K
 W/O Title : PURCHASE TWO (2) NOX MONITORS
 W/O Task Title: PURCHASE TWO (2) NOX MONITORS
 Written To : PRECIPITATOR SO3 INJ. SYSTEM MISC. I
 Task Dspln : Completed By:



Work Order Package

40509399 03

DUPLICATE
 Rpt : TIPMC11
 Date: 12/20/05



Page: 2

Major Failure/Action Taken

Major Failure : Action Taken :
 Deficiency Tag Loc: Removed (Y/N):
 Deficiency Tag, No.: Limited Cond Operation:

Work Completion Signatures

Name	Function/Dept.	Date
<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>

Comments:
 (rework?)

Work Delay Reason

				(Y/N)
CON	CONTRACTOR LATE ARRIVAL	Date: <input type="text"/>	Hours: <input type="text"/>	<input type="checkbox"/>
		Crew: <input type="text"/>	Shift: <input type="text"/>	
ENG	NEED ENGINEERING EVALUATION ASAP	Date: <input type="text"/>	Hours: <input type="text"/>	<input type="checkbox"/>
		Crew: <input type="text"/>	Shift: <input type="text"/>	
IA	INCIDENT/ACCIDENT	Date: <input type="text"/>	Hours: <input type="text"/>	<input type="checkbox"/>
		Crew: <input type="text"/>	Shift: <input type="text"/>	
OPE	NEED OPERATIONS SUPPORT	Date: <input type="text"/>	Hours: <input type="text"/>	<input type="checkbox"/>
		Crew: <input type="text"/>	Shift: <input type="text"/>	
PRM	PERMIT REQUIRED/NEEDED	Date: <input type="text"/>	Hours: <input type="text"/>	<input type="checkbox"/>
		Crew: <input type="text"/>	Shift: <input type="text"/>	
PRT	NEED ADDITIONAL PARTS ON SITE	Date: <input type="text"/>	Hours: <input type="text"/>	<input type="checkbox"/>
		Crew: <input type="text"/>	Shift: <input type="text"/>	
TPE	TOOLS/PARTS/EQUIPMENT	Date: <input type="text"/>	Hours: <input type="text"/>	<input type="checkbox"/>
		Crew: <input type="text"/>	Shift: <input type="text"/>	

Comments:

Rework Reason/Cause

	(Y/N)
N/A NOT APPLICABLE	<input type="checkbox"/>
NP NEED PARTS	<input type="checkbox"/>
OPE OPERATOR ERROR	<input type="checkbox"/>
PF PARTS FAILED	<input type="checkbox"/>
PT PARTS FAILED	<input type="checkbox"/>

Facility: BSP BIG SANDY
 Unit : 2 Project : 000001878
 W/O Type: CP Priority: 3 W/O Dspln: ENVR
 Planner : K795068 SEE B K
 W/O Title : PURCHASE TWO (2) NOX MONITORS
 W/O Task Title: PURCHASE TWO (2) NOX MONITORS
 Written To : PRECIPITATOR SO3 INJ. SYSTEM MISC. I
 Task Dspln : Completed By:



Work Order Package

40509399 03

DUPLICATE
 Rpt : TIPMC11
 Date: 12/20/05



Page: 3

Rework Reason/Cause

- RW INCOMPLETE WORK FROM PREVIOUS MAINTENANCE
- SC SYSTEM CONDITIONS
- TN TUNING AFTER BREAKIN OF NEW PARTS
- TR TEMPORY REPAIR
- TST PREVIOUS WORK FAILED TO MEET STANDARDS
- WFMS PREVIOUS WORK FAILED TO MEET STANDARDS

(Y/N)

<input type="checkbox"/>

Date: Hours: Crew: Shift:

Comments:

Job Variance

- CL CLEARANCE NOT READY
- LM LATE MATERIAL
- MR MATERIAL REPLACEMENT
- NA FEEDBACK NOT APPLICABLE
- RA RESOURCES NOT AVAILABLE AS PLANNED
- RS SATISFACTORY CUST FEEDBACK
- RU UNSATISFACTORY CUST FEEDBACK
- R1 FIRST RATING REQUEST SENT
- R2 SECOND RATING REQUEST SENT
- SC CHANGE IN JOB SCOPE
- S1 FIRST RATING REQUEST SENT
- S2 SECOND RATING REQUEST SENT

(Y/N)

<input type="checkbox"/>

Date: Crew: Shift:

Comments:

Completion Comments on Work Performed

Completion Comments Required : Y

Comments:

Comments:

Facility: BSP BIG SANDY
 Unit : 2 Project : 000001878
 W/O Type: CP Priority: 3 W/O Dspln: ENVR
 Planner : K795068 SEE B K
 W/O Title : PURCHASE TWO (2) NOX MONITORS
 W/O Task Title: PURCHASE TWO (2) NOX MONITORS
 Written To : PRECIPITATOR SO3 INJ. SYSTEM MISC. I
 Task Dspln : Completed By:



Work Order Package

40509399 03

DUPLICATE
 Rpt : TIPMC11
 Date: 12/20/05



Page: 4

Completion Comments on Work Performed

Completion Comments Required : Y

Comments:

Continued on Additional Sheets? : _____

Calibration Tools Used

M&TE Used: N

UTC	Check Out	Return	UTC	Check Out	Return

***** END OF REPORT *****

Kentucky Power Company

REQUEST

Please refer to AG Request No. 128. Does the Company have any expectations regarding future removal requirements?

RESPONSE

The depreciation study assumes that future removal and salvage requirements will approximate the levels actually experienced by the Company during the fifteen-year period 1990-2004.

WITNESS: James E Henderson

Kentucky Power Company

REQUEST

Refer to AG Request Nos. 129 and 133. Please fully explain the reasons for the following increases and decreases. Include all assumptions driving the estimates that could contribute to the variances, i.e., specific projects, etc.

- a. The increase in Production cost of removal from \$759 thousand in 2005 to \$3.9 million in 2006.
- b. The increase in Production cost of removal from \$3.9 million in 2006 to \$4.7 million in 2007.
- c. The decrease in Production cost of removal from \$4.7 million in 2007 to \$1.2 million in 2008.
- d. The increase in Production cost of removal from \$1.2 million in 2008 to \$4.6 million in 2009.
- e. The decrease in Transmission cost of removal from \$277 thousand in 2006 to \$40 thousand in 2007.
- f. The decrease in Distribution cost of removal from \$1.8 million in 2006 to \$332 thousand in 2007.

RESPONSE

Removal costs are project specific. See page 2 of this response for a listing of removal costs by project. See response to AG 2nd Set, Item No. 42 for further explanation of why removal costs vary from year to year.

WITNESS: Ranie Wohnhas

Kentucky Power Company

REQUEST

Refer to AG Request No. 129. Please provide Construction Expenditures and Retirements for 2005, similar to those provided in response to AG Request No. 133. Also, please explain any variances between the retirements budgeted for 2005 and those budgeted for 2006.

RESPONSE

Please see Section II, Application Exhibit-A, page 346 of the Company's filing for 2005 for the budgeted construction expenditures. The budgeted retirement expenditures for 2005 are below. There is no variance between 2005 and 2006.

Retirements		<u>2005</u>
Production	310-316	422
Transmission	350-359	5,891
Distribution	360-373	345
General	389-399	769
Intangible	301-303	-
Total		<hr/> 7,427

WITNESS: Ranie Wohnhas

Kentucky Power Company

REQUEST

Refer to AG Request No. 133. Please explain fully why budgeted cost of removal varies from year to year, while budgeted retirements remain the same. Does the Company believe that there is no correlation between the amount of cost of removal it will incur and the amount of retirements in the same period? Please explain the answer.

RESPONSE

The level of retirements is generally not an important component of the Company's capital forecast. The amount included in the forecast is reviewed for reasonableness and is held constant for the forecast period, unless there would be a good reason to vary it. Cost of Removal is determined by project or blanket through a more detailed process. Removal can have a cash requirement and it is also associated with physical work and requires resource planning. Retirements are merely an accounting entry. In its forecast process the Company has not considered or factored in, any correlation between retirements and cost of removal.

WITNESS: Ranie Wohnhas

Kentucky Power Company

REQUEST

Refer to the response to AG Request Nos. 136 and 176.

- a. Please provide the actuarial software plus the operating instructions so that we may view the "index of variation" as discussed in the response to AG Request No. 136, and better understand the limited remaining life as discussed in the response to AG Request No. 176.
- b. Also, please provide a manual summary of the fit indications embedded in the software for each actuarial study conducted.

RESPONSE

- a. The D&T software used to prepare the study is proprietary and cannot be provided.
- b. The fit indications are not saved by the software and the fit indications were not manually recorded.

WITNESS: James E Henderson

Kentucky Power Company

REQUEST

Refer to AG Request No. 140, and the direct testimony of Everett G. Phillips, pages 12 through 15.

- a. Does the Company agree that some of the Distribution Asset Management Programs listed on those pages could affect plant lives? Please explain the response.
- b. Based on the descriptions, the Pole Inspection and Maintenance Program and the Underground Cable Program appear to extend plant lives. Please provide all studies, reports, or other documents detailing and supporting these programs, and any changes on plant lives due to the programs.

RESPONSE

- a. Yes, there are two programs that can affect the useful life of distribution assets. Specifically, these are the pole maintenance (treatments and/or reinforcements) program and the underground cable injection program.
- b. There are various Electric Power Research Institute (EPRI) and Canadian Electricity Association (CEA) reports that detail and support the pole inspection, treatment and reinforcement programs. However, the amount of life extension benefit can be a factor of climate, geography, frequency of the treatment, as well as the original treatment. These studies are considered proprietary and confidential. We can make these studies available for your review at the Kentucky Power Frankfort Office.

WITNESS: Everett G Phillips

Kentucky Power Company

REQUEST

Refer to AG Request No. 141. Were any life extension studies prepared for Transmission, Distribution or General Plant? If yes, please provide those studies.

RESPONSE

No life extension studies were prepared.

WITNESS: Everett G Phillips

Kentucky Power Company

REQUEST

Refer to AG Request No. 151. While the AG has maintained a copy of the Order and Settlement from Case No. 91-066, under the AG's Document Retention Policy other documents from Case No. 91-066 have been destroyed. Please provide the depreciation study submitted (and accepted) in that case. Also, please provide Mr. Henderson's testimony, as listed in the response to AG Request No. 93.

RESPONSE

The depreciation study with supporting workpapers that was submitted and accepted in Case No. 91-066 is voluminous. A copy is available for inspection at the Company's offices during normal business hours. The depreciation study is also available as a public record on file in that docket with the Public Service Commission. A copy of Mr. Henderson's testimony as filed in Case No. 91-066 is attached.

WITNESS: James E Henderson

BEFORE THE
PUBLIC SERVICE COMMISSION OF KENTUCKY

IN THE MATTER OF

GENERAL ADJUSTMENTS IN
ELECTRIC RATES OF
KENTUCKY POWER COMPANY

CASE NO. 91-066

DIRECT TESTIMONY
OF
JAMES E. HENDERSON
ON BEHALF OF
KENTUCKY POWER COMPANY

DIRECT TESTIMONY OF

JAMES E. HENDERSON

BEFORE THE

PUBLIC SERVICE COMMISSION OF KENTUCKY IN CASE NO. 91-066

KPSC Case No. 2005-00341
AG 2nd Set Data Requests
Dated December 12, 2005
Item No. 46
Page 3 of 43

1. Q. Please state your name and business address.

2. A. My name is James E. Henderson. My business address is
3. 1 Riverside Plaza, Columbus, Ohio.

4. Q. By whom are you employed and in what capacity?

5. A. I am employed by American Electric Power Service
6. Corporation, (AEPSC), a wholly-owned subsidiary of
7. American Electric Power Company, Inc. (AEP), the parent
8. company of Kentucky Power Company (Kentucky Power or
9. Company). My position is Administrator - Depreciation
10. Studies and Plant Accounting.

11. Q. Please summarize your educational background and work
12. experience.

13. A. I received a Bachelor of Science Degree with a major in
14. accounting from Columbus Business University in 1969.
15. I have attended three sessions in depreciation
16. life analysis originally sponsored by Western Michigan
17. University Center of Depreciation Studies and currently
18. sponsored by Depreciation Programs, Inc. I have been a
19. member of the Depreciation Accounting Committee of
20. Edison Electric Institute since 1976.

21. I joined Columbus Southern Power Company (CSP),
22. one of the eight electric utility companies comprising
23. AEP, as a part-time student employee in 1967. Upon
24. graduation, I was employed full time and held various
25. positions in the Accounting Department in the areas
26. of plant accounting, tax accounting and depreciation.

HENDERSON - 2

1. From 1978 to 1980, I held the position of Director
2. of Depreciation Accounting and from 1980 to 1982, I
3. held the position of Director of Plant Accounting and
4. Depreciation. My responsibilities included performing
5. depreciation studies, preparing book and federal income
6. tax depreciation accruals, preparing and analyzing
7. property valuations for state and local property tax
8. assessments and supervising the accounting for CSP's
9. investment in electric utility plant.

10. In August 1982, I transferred from CSP to AEPSC.
11. In my current position, I am responsible for
12. depreciation studies and the coordination of plant
13. accounting for the AEP System companies.

14. Q. What is the purpose of your testimony in this
15. proceeding?

16. A. The purpose of my testimony is to recommend revised
17. depreciation accrual rates for Kentucky Power, based on
18. a depreciation study for Kentucky Power's electric
19. utility plant in service at December 31, 1989. The
20. study report is attached hereto as Exhibit JEH-1. This
21. report and supporting documents were filed with the
22. Commission on March 5, 1991.

23. Q. Was this study performed by you or under your
24. supervision?

25. A. Yes.

26. Q. What was the purpose of the depreciation study?

1. A. From time to time it is necessary to review existing
2. depreciation rates to determine whether they are still
3. appropriate. The last depreciation study for Kentucky
4. Power was performed in 1980. The purpose of the
5. present study, therefore, is to recommend appropriate
6. annual depreciation rates for Kentucky Power to use in
7. computing annual book depreciation expense in light of
8. current conditions.
9. Q. Would you briefly describe the methods and procedures
10. used in the study?
11. A. The methods and procedures are fully described in
12. Exhibit JEH-1. Briefly, however, the study is based
13. on the Average Remaining Life procedure instead of the
14. Average Service Life procedure used in the last
15. depreciation study.
16. Q. Please explain the difference between the Average
17. Service Life procedure and the Average Remaining Life
18. procedure.
19. A. The Average Service Life procedure recovers the
20. original cost of the plant, adjusted for net salvage,
21. over the average service life of the investment. The
22. basic assumptions used in determining depreciation
23. rates by the Average Service Life procedure are: 1) the
24. property will be retired over a specified average life
25. and 2) the future amount of net salvage is known. One
26. major shortcoming of the Average Service Life procedure

1. is that it does not provide a mechanism to adjust the
2. accumulated depreciation when changes occur in service
3. life or net salvage.

4. The Average Remaining Life procedure compensates
5. for this shortcoming by recovering the original cost of
6. the plant, adjusted for net salvage, less the
7. accumulated depreciation, over the average remaining
8. life of the plant. By this procedure, the annual
9. depreciation rate for each account is determined on the
10. following basis:

$$\begin{aligned} 11. \quad & \text{Annual Depreciation Expense} = \\ 12. \quad & \frac{(\text{Orig. Cost}) (\text{Net Salvage Ratio}) - \text{Accumulated Depreciation}}{13. \quad \text{Average Remaining Life}} \\ 14. \quad & \text{Annual Depreciation Rate} = \\ 15. \quad & \frac{\text{Annual Depreciation Expense}}{16. \quad \text{Original Cost}} \end{aligned}$$

17. Q. Were there any other major changes in methodology
18. from the last study?

19. A. Yes. We changed the method for determining net
20. salvage for steam production plant. Previously,
21. we had used an industry standard value of negative
22. ten percent. However, because of the significant
23. increases in the cost of removal of production plant,
24. it has now become more appropriate to use a site-
25. specific analysis. To assist in establishing the
26. net salvage applicable to Kentucky Power's steam

1. generating plant, Kentucky Power had a detailed cost
2. of removal study made by the engineering firm Sargent
3. and Lundy (S&L). S&L estimated the probable net cost
4. to demolish Big Sandy Plant based on the current price
5. level and my recommended depreciation rates are
6. calculated on that basis; however, I recommend that
7. Kentucky Power adjust the estimated cost of removal in
8. future depreciation studies to reflect changes in price
9. level. This will enable the Company to recover the
10. estimated actual removal costs that can reasonably be
11. expected to be incurred at the time the Big Sandy Plant
12. is retired.

13. Q. How are the depreciation rates which you recommend used
14. in determining annual depreciation expense?

15. A. In the Study, depreciation rates were determined for
16. each primary plant account. The resulting rates for
17. each account at December 31, 1989 were then applied to
18. the investment in each account at December 31, 1989
19. and the results were composited to determine a rate
20. for each functional group of depreciable property for
21. which Kentucky Power computes the annual depreciation
22. expense and maintains the accumulated provisions for
23. depreciation.

24. Q. How do the depreciation rates recommended as a result
25. of the study compare with Kentucky Power's current
26. rates?

1. A. The results by primary plant account and functional
2. group are shown in Exhibit JEH-1 on Schedule I, pages
3. I-2 through I-4. Based on December 31, 1989
4. depreciable plant in service Kentucky Power's overall
5. composite rate decreases from 3.09% to 2.96%.
6. Q. Will you explain, in general, what caused the reduction
7. in the overall composite depreciation rate?
8. A. Yes. In general, the depreciable lives of all
9. functional plant groups have increased since the last
10. depreciation study. This resulted in a decrease in the
11. composite depreciation rate for all functional plant
12. groups. The increase in the depreciable life for
13. Steam Production Plant, however, was mitigated by the
14. effect of the site-specific demolition cost estimate
15. for Big Sandy Plant.
16. Q. When do you recommend that the revised depreciation
17. rates become effective?
18. A. I recommend that the revised depreciation rates become
19. effective concurrent with the effective date of new
20. rates established by the Commission in Case No. 91-066,
21. Kentucky Power's 1991 Rate Application.
22. Q. Does this conclude your direct testimony?
23. A. Yes.
- 24.
- 25.
- 26.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

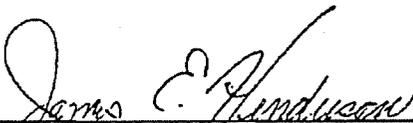
COUNTY OF FRANKLIN

CASE NO. 91-066

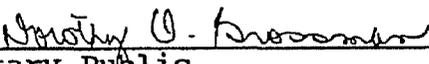
STATE OF OHIO

Affidavit

James E. Henderson, upon first being duly sworn, hereby makes oath that if the foregoing questions were propounded to him at a hearing before the Public Service Commission of Kentucky, he would give the answers recorded following each of said questions and that said answers are true.


James E. Henderson

Subscribed and sworn to before me by James E. Henderson
this 4th day of April 1991.


Notary Public

My Commission Expires 11/21/92

DOROTHY O. GROSSMAN
NOTARY PUBLIC - STATE OF OHIO
MY COMMISSION EXPIRES 11/21/92

KENTUCKY POWER COMPANY

DEPRECIATION STUDY

OF

ELECTRIC PLANT IN SERVICE

AT DECEMBER 31, 1989